

**Regulatory announcement for release Thursday 28 October 2010**



**Results for the year ended 30 September 2010**

### **Chairman's statement**

I am pleased to present my ninth annual statement to Shareholders for the year ended 30 September 2010.

#### **Results for the year**

Since September 2009 when I reported a modest recovery, the Company's fortunes have been severely challenged by continuing adverse conditions in our chosen market for early stage mineral exploration stocks. In short, 2009-2010 has been another tough year!

Whereas in the year to September 2009, the Company declared a profit before tax of £44,692, this year shows a loss of £48,362. This loss is due entirely to the need for prudence in assessing the book values of many of our smaller investee companies resulting in a net write down for the year of £257,953.

In spite of the real challenges, there have been successes during the year including:

- a significant reduction in bank borrowings;
- investment sales of £640,044 used to fund operating expenses and to reduce the bank overdraft;
- a gross profit from investment sales of £402,331, representing 169% of cost; and
- the exercise of options by directors leading to the injection of new cash amounting to £92,000.

#### **Trading portfolio valuation**

The past year has been extremely challenging. From September 2009 we saw the portfolio value steadily decline to a low point of £2.37 million at the end of July 2010. However, in the final two months of this financial year, we enjoyed a strong 75% recovery amounting to £2.20 million so as to end the year with a portfolio value of £4.57 million.

The final valuation net of all liabilities at £4.19 million shows a modest improvement compared with £4.02 million at 30 September 2009.

Following the challenges of 2008 and 2009, we continue to value our portfolio investments conservatively at the lower of cost or bid price or lower directors' valuation where we believe those facts of which we are aware cast doubt on the market prices or where the Company's interest is of such a size as to inhibit selling into a depressed market. This cautious approach has proved to be appropriate in these difficult times.

A detailed review of the portfolio companies follows. Whilst the portfolio contains investments in a number of companies that have made real progress during the year,

there are many, particularly smaller companies, that have struggled for one or more of several reasons, such as an inability to raise new capital to finance continued exploration, not having the good fortune to target a mineral currently in demand, finding minerals but not in commercially viable quantities and/or market preference for short term cash generating opportunities which most of ours are not. It is worth reminding ourselves that much of our portfolio does not enjoy institutional support but is reliant on the private investor.

Our commentary focuses on the ‘winners’ but does not exclude others, some of which may well rebound; we remain resolved to allow our investments time to mature.

Where we are able to do so, we will continue to take profits so as to generate cash to cover overheads and reduce reliance on bank finance.

### Company statistics

	<b>30 September 2010 at BID values as adjusted</b>	30 September 2009 at BID values as adjusted	<b>Change %</b>
• Trading portfolio value	<b>£4.57m</b>	£4.72m	<b>(3.2%)</b>
• Company asset value net of debt	<b>£4.19m</b>	£4.02m	<b>4.2%</b>
• Net asset value – fully diluted per share	<b>11.28p</b>	10.72p	<b>5.2%</b>
• Closing share price	<b>7.75p</b>	11.75p	<b>(34%)</b>
• Share price (discount)/premium to net asset value	<b>(31.3%)</b>	9%	
• Market capitalisation	<b>£2.84m</b>	£4.10m	<b>(31%)</b>

We continue to make what we believe to be a realistic and conservative estimate of the values of companies within the portfolio. The values at 30 September 2009 and 2010 are based on bid prices or the Directors’ valuation, if lower. With one exception, discounts below bid price are applied where the Company holds a substantial interest in the investee company or where the investee company constitutes a large part of the Company portfolio; these discounts total £450,000; the single exception is that no discount is applied to the value of one investee company where the shares are actively traded and the Company’s interest is under 2%.

These values include unrealised gains on elements of the trading portfolio that are not reflected in the financial statements.

So far, the recovery has continued into the new financial year so that the net asset value as at 22 October 2010 stood at £5.37m or 14.37 pence per share fully diluted representing a 28% increase. In addition, since 30 September £438,000 has been raised from the sale of investments so that when settlement is completed the bank overdraft will be cleared.

### Review of the current market

The flat performance since September 2009 masks the fact that within the portfolio we have investments which have increased substantially and show every sign of being real winners; in these we anticipate further improvement during the coming year. These include companies with interests in gold, iron ore, coal and manganese as well as other minerals much in demand. On the other hand, the portfolio contains thirteen mineral exploration and other investments which have performed poorly, two of which have been written down to zero this year.

The state of the world economy and markets for natural resources will continue to overshadow us, but we continue to believe that the prospects in the medium to long term are encouraging. As always, we will continue to contain our overheads to the minimum, seek to use our limited cash resources to best advantage and otherwise be patient as we await a full recovery.

### **Dividends**

Owing to the overall loss and depletion of cash resources it is not the Directors' intention to recommend the payment of a dividend this year. For the future, your Board will keep the matter under review.

### **Investment policy**

As required by AIM, your Company has established and recently revised its investment policy reproduced below and made available on its website, [www.starvest.co.uk](http://www.starvest.co.uk). In the past investments were predominantly in early stage ventures; now where funds are available your Company will be looking either to support existing investee companies or take positions in selected later stage ventures where mineral resources have been confirmed and where shorter term returns are expected.

### **Shareholder information**

The Company's shares are traded on AIM and PLUS.

Announcements made to the London Stock Exchange are sent to those who register at the Company website, [www.starvest.co.uk](http://www.starvest.co.uk) where historic reports and announcements are also available.

### **Annual general meeting**

We will hold our annual general meeting at 3.00 pm on Monday 13 December 2010 at St Ethelburga's, Bishopsgate, London EC2 when we look forward to meeting those Shareholders able to attend.

### **R Bruce Rowan**

*Chairman & Chief Executive*

27 October 2010

### **Investing policy statement**

#### **About us**

The Board has managed the Company as an investment company since January 2002.

Collectively, the Board has a wealth of experience over many years of investing in small company new issues and pre-IPO opportunities in the natural resources and mineral exploration sectors.

#### **Company objective**

The Company is established as a source of early stage finance to fledgling businesses, to maximise the capital value of the Company and to generate benefits for Shareholders in the form of capital growth and modest dividends.

### **Investing strategy**

Whilst the Company has no exclusive commitment to the natural resources sector, the Board sees this as having considerable growth potential for the foreseeable future. Historically, investments were generally made immediately prior to an initial public offering, at IPO on the AIM or PLUS markets and in the aftermarket. As the nature of the market has changed since 2008, it is more likely that the future investment portfolio will include a spread of up to forty companies that generally have moved beyond the IPO stage but remain in the early stages of identifying a commercial resource and/or moving towards development with the appropriate finance.

Initial investments are for varying amounts but usually in the range £100,000 - £300,000. These companies are invariably not generating cash, rather they have a constant requirement to raise new equity cash in order to continue exploration and development. Therefore after appropriate due diligence, the Company may provide further funding support and make later market purchases so that the total investment may be greater than £300,000.

The business is inherently high risk and of a cyclical nature dependent upon fluctuations in world economic activity which impacts on the demand for minerals.

The investee companies, being small, almost invariably lack share market liquidity, even if they are quoted on AIM, PLUS, ASX, TSX or TSX-V. Therefore, in the early years it is rarely possible to sell an investment at approaching the quoted market price with the result that extreme patience is required whilst the investee company develops and ultimately attracts market interest. If and when an explorer finds a large exploitable resource, it may become the object of a third party bid, or otherwise become a much larger entity; either way an opportunity to realise cash is expected to follow.

Of the thirty to forty investments held at any one time, it is expected that more than five will prove to be 'winners'; from half of the remainder we may expect to see modest share price improvements. Overall, the expectation is that in time Shareholder returns will be acceptable if not substantial.

Accordingly, the Board is unable to give any estimate of the quantum or timing of returns. That stated, when profits have been realised and adequate cash is available, it is the intention of the Board to recommend the distribution of up to half the profits realised.

The Company currently has investments in the following companies which themselves are investment companies: Equity Resources plc, Guild Acquisitions plc; Addworth plc and International Mining & Infrastructure Corporation plc.

The Company takes no part in the active management of investee companies, although directors of the Company are also non-executive directors on the boards of seven such companies, with one director being the executive chairman of an eighth.

## **Review of trading portfolio**

### **Introduction**

As at 30 September 2010, the portfolio comprised interests in the companies commented on below.

The tough trading and fundraising conditions of the past two years have taken a toll on some of the businesses in which Starvest is invested to such an extent that as at 30 September 2010:

- eight portfolio companies accounted for 75% of the portfolio value; all of these companies are mineral exploration ventures on which we comment first; in every case, the year end valuation exceeds original cost;
- of the next eight investments one deteriorated during the year but has recovered since the year end; otherwise they have held their own, showing small share price improvements which are expected to continue into the current year as the businesses progress; collectively these account for a further 21% of the portfolio value;
- the remainder amounting to 4% only include both mineral exploration ventures as well as other businesses which are all valued below cost; we hope that some in this final grouping will recover and may well yet surprise us.

### **Disposals**

In order to reduce the bank overdraft and provide funds for overheads, during the year the Company raised £640,044 before costs by selling the following interests:

- a small equity holding in Beowulf Mining plc, but retained a convertible loan note which was subsequently converted to equity;
- a part of the holding in Ariana Resources plc; and
- approximately two thirds of the holding in Franconia Minerals Corporation yielding a substantial return on the initial investment.

### **Mineral exploration ventures accounting for 75% of portfolio value**

#### **Ariana Resources plc - AIM ticker: AAU**

Website: [www.arianaresources.co.uk](http://www.arianaresources.co.uk)

Ariana Resources is an exploration and development company focused on epithermal gold-silver and porphyry copper-gold deposits in Turkey where it is exploring a portfolio of prospective licences in western Turkey selected on the basis of its in-house geological and remote-sensing database and in its Greater Pontides joint venture with European Goldfields.

Ariana's flagship assets are its Sindirgi and Tavsan gold projects in the WAVE Province in western Turkey, and which form the Red Rabbit Project in a 50/50 joint venture with Turkish partner Proccea Construction signed in July. This agreement has significantly de-risked the development project by committing Proccea to funding it for a total of US\$8 million. A further US\$25 million funding requirement for the later outstanding construction and mine commissioning costs will be met by a credit facility. Work is under way on the Bankable Feasibility and Environmental Impact studies with completion expected by the third quarter 2011.

Meanwhile the Greater Pontides JV has delivered significant exploration results from what is seen as a highly prospective region taking Ariana's total resource inventory to 401,000 oz. of gold equivalent with further increases expected.

With an established mining industry and 2.5% of the world's industrial mineral resources, Turkey is seen as a politically stable country with a favourable tax regime so that with the gold price attaining new highs, Ariana's potential is increasingly attractive.

#### **Belmore Resources (Holdings) plc – PLUS ticker: BEL**

Website: [www.belmoreresources.com](http://www.belmoreresources.com)

Belmore Resources is a mineral exploration company focusing solely on projects in the Republic of Ireland, priority being given to its zinc exploration properties in County Clare, where it has a current 100% interest in ten prospecting licences covering 360 sq km. Under a joint venture agreement Lundin Mining as operator of the drilling programme has the right to earn a 70%

interest in these licences by expending 14.7 million Euros over the coming years. Lundin has accelerated an active programme with four drilling rigs currently in operation, three working on the main Kilbricken Prospect and intersecting thick high-grade zinc-lead-silver sulphide mineralisation. The company is optimistic that the project will define an economic deposit with Lundin proposing to accelerate aggressively the exploration programme by adding two further drilling rigs.

**Beowulf Mining plc - AIM ticker: BEM**

Website: [www.beowulfmining.com](http://www.beowulfmining.com)

Beowulf Mining's focus is on the exploration and development of mineral deposits in Northern Sweden, where it has separate projects covering iron ore, gold, copper, uranium and molybdenum. Its shares are quoted on both AIM and Stockholm's AktieTorget market.

Beowulf's focus has been on its 100%-owned adjacent projects of Ruotevare and Kallak where its drilling programme has been accelerated so as to define the quantity and quality of iron ore already established and to allow a JORC compliant resource to be obtained. A further sale and royalty agreement was concluded in July with Canadian Tasman Metals in respect of its three iron ore claims adjoining Kallak. Beowulf is targeting total iron ore JORC resources in excess of 500 million tonnes by early 2011. By April 2010 it had obtained a Letter of Intent from the Chinese resource importer Hua Dong Corporation for shipment of eventual production.

Meanwhile under the company's Ballek Project joint venture agreement, Australian Energy Ventures ("EVE") has obtained a 50% earn-in interest through sole-funding and completing 1,600 metres of diamond drilling. Ballek has a JORC inferred resource of 47,000 tonnes of copper and 52,000 ounces of gold.

Beowulf raised £1,000,000 in March 2010 and a further £400,000 in October 2010 to finance the acceleration of its drilling programme on Kallak and to meet its increasing working capital needs. First complete assay results for an initial 15 hole diamond drilling programme recently completed for the Kallak North iron ore deposit have confirmed extended iron mineralisation with several 100 metre sections having over 30% Fe. As a result 3,500 metres of further diamond drilling are planned over 35 holes at Kallak South with first assay results expected by the end of 2010 to be followed by a JORC classification.

Meanwhile, Beowulf is actively seeking complementary assets to add to its quality portfolio.

**Franconia Minerals Corporation – Toronto TSX-V: FRA**

Website: [www.franconiaminerals.com](http://www.franconiaminerals.com)

Franconia Minerals, an Alberta-formed corporation, is focused on the discovery and development of the Birch Lake copper-nickel-platinum-palladium project in the highly prospective Duluth complex in north-east Minnesota, positioned to be one of the world's largest PGM resources and to be developed as an underground mining operation.

The project consists of three deposits (Birch Lake, Maturi, and Spruce Road), with latest estimates giving an indicated resource of 131 million tonnes plus an inferred 37 million tonnes for Birch Lake, 120 million tonnes at Maturi and 124 million tonnes at Spruce Road. The project has more recently attracted an increasing amount of investor interest, enabling Starvest to reduce its holding significantly at a good profit.

**Greatland Gold plc - AIM ticker: GGP**

Website: [www.greatlandgold.com](http://www.greatlandgold.com)

Greatland Gold has three gold projects in Tasmania, consisting of the Firetower project in the North with an initial inferred JORC-compliant resource of 90,000 oz. of gold; Warrentinna and

Forester, first mined early last century and which has yielded a substantial amount of high grade gold at surface; and the East Lisle project where the Company will seek to determine the bedrock source of the 250,000 oz of gold reputedly produced in the past from alluvial workings in the area.

In addition, Greatland has two gold projects in Western Australia, the 200 sq km Lackman Rock site, and the Ernest Giles project from which the first results have been received of the maiden drilling program, which encountered large alteration systems which could host major mineralisation.

The company owns 100% of all projects in its portfolio. Its main focus has been on Firetower, and deciding whether to mine an existing resource or whether to enlarge the resource before building a mine. Greatland's aim to become a stand-alone producer remains on course but will require the raising of significant extra capital to bring Firetower into production.

**Oracle Coalfields plc** - PLUS ticker: ORCP

Website: [www.oraclecoalfields.com](http://www.oraclecoalfields.com)

Oracle Coalfields is an emerging coal developer in Pakistan with an 80% interest in a JORC compliant measured resource of 1.4 billion tonnes of which 371 million tonnes is proved located in Block V1 of the Thar Desert project in the Sindh province. Its planned mine-site lies some 380 km east of Karachi, well above sea-level and recent severe flooding in Sindh and further distant from the insecurity of the north western frontier region. Oracle benefits from past and ongoing major infrastructure investment undertaken by the Pakistan Government which has been eager to open up the Thar Desert region with an estimated lignite coal resource of 175 billion tonnes as a cornerstone of the economic and social development of the nation's economy. Work on a bankable feasibility study is due for completion by early 2011. Furthermore, the mine development project will be linked to the construction of a mine-mouth 300MWe power plant. Initial mine production is planned for late 2011, and while the mine design will allow for an annual production of 3.5 million tonnes, this will only be achieved in 2014, by when the completed power plant will call for 2.5 million tonnes, with 1.0 million tonnes intended for the local cement industry, presently dependent on imported coal. Oracle has contracted with the Karachi Electricity Company (KESC) as the planned power plant developer and operator, and with Lucky Cement, as the country's principal cement manufacturer and exporter, as the off-takers of such production.

Pakistan suffers from critical shortages of electricity resulting in a proliferation of disruptive power cuts which stunt the growth of the vibrant economy. With such a major indigenous yet unexploited coal resource to hand, the Pakistan Government sees Oracle as opening up the door to establishing the Thar Desert as a major development magnet for new foreign investment and as a key trigger point and source of pride for the future development of the country's economy and its re-edification.

Oracle is currently assessing the benefits of a near-term admission to the AIM market.

**Red Rock Resources plc** - AIM ticker: RRR

Website: [www.rrrplc.com](http://www.rrrplc.com)

Since Red Rock Resources came to AIM in 2005, it has been transformed from a small early stage Australian mineral exploration venture to become a £40m market capitalisation powerhouse with a variety of interests:

- gold mining in Columbia's Frontino gold belt in partnership with Mineras Four Points SA to which it provides much needed expertise and finance with options to acquire a controlling interest and expecting to generate near term cash flow from a producing mine now being upgraded; a recent sample indicated gold at 45.3 grams per tonne, broadly consistent with historic experience;

- gold exploration in the Migori greenstone belt, Kenya, in partnership with Kansai Mining Corporation at its Mid Migori Mining 1.2m oz indicated resource expected to build a 2-3m oz resource base to be followed by extraction;
- a 26.9% interest in Resource Star Limited, ASX quoted, [www.resourcestar.com.au](http://www.resourcestar.com.au) to which it disposed of its Australian and Malawian uranium and rare earth interests; re-listed by Red Rock in 2010;
- a hugely successful iron ore and manganese joint venture alongside Pallinghurst Resources, [www.pallinghurst.com](http://www.pallinghurst.com), which is building a major steel feed venture through Jupiter Mines Limited, ASX quoted, [www.jupitermines.com](http://www.jupitermines.com) into which Red Rock disposed of its Australian iron ore and manganese interests; Red Rock holds 83m shares in Jupiter Mines which expects to have established a 400 mt JORC resource at its Mt Ida magnetite deposit which it expects to bring into production as early as 2014; Red Rock enjoys the benefit of a 1.5% gross production royalty;
- an equity interest in uranium explorer Cue Resources Limited, [www.cue-resources.com](http://www.cue-resources.com);
- an equity interest in Kansai Mining Corporation Limited, [www.kansaimining.com](http://www.kansaimining.com) where a cash takeover has been announced which, if completed, will net a profit of C\$10m.

Red Rock declared a pre-tax profit of £3.2m for the six months to 31 December 2009 and has indicated that a maiden dividend may not be far away. As the market understands the potential, we expect further share price increases in the coming year.

#### **Regency Mines plc** - AIM ticker: RGM

Website: [www.regency-mines.com](http://www.regency-mines.com)

Regency Mines has mineral exploration interests in Australia and Papua New Guinea where the principal metal target is nickel. The expected joint venture with Direct Nickel Limited for the use of their patented technology to extract nickel at the Mambare Plateau in PNG announced in 2009 has stalled although we understand that it is not abandoned.

Aside from nickel in PNG, Regency has the potential for copper, gold and other minerals in Queensland and Western Australia; with respect to the latter, Regency recently announced having discovered significant sulphide levels within the Lake Johnston greenstone belt with potential for base and precious metals at depth with further exploration planned.

However, the star of its portfolio must be its continuing 24% interest in sister company Red Rock Resources plc to which management has been devoting considerable attention

#### **Mineral exploration ventures accounting for 21% of portfolio value**

##### **Agricola Resources plc** – PLUS ticker: AGRI

Website: [www.agricolaresources.com](http://www.agricolaresources.com)

Agricola Resources is focused on gold exploration in Morocco, where it holds two prospective licences at Ain-Kerma and Toufrite in the south of the country. The Ain-Kerma project potentially hosts both low-grade bulk tonnage and high-grade strata-bound gold deposits with many gold-bearing quartz veins identified.

Agricola's switch last year from longer-term uranium exploration interests to the shorter-term ever-improving prospects for a successful gold-based venture, coupled with the growing international investment interest in Morocco as offering a secure financial environment, appears to have been well-timed. Additional licence applications for further high value mineral deposits are under consideration and evaluation, with a view to enhancing investor interest in the fund-raising exercise for implementing its envisaged Moroccan exploration activities. Australian Energy Ventures Limited continues to hold a 29.9% strategic equity stake.

##### **Equity Resources plc** – PLUS ticker: EQRP

Although a relatively small investment showing a loss since acquisition, Equity Resources is included here because of its recent growth and potential. Following the total loss of its initial two investments and after being re-named, Equity Resources was fortunate to have available cash to invest at the bottom of the market in Red Rock Resources plc and Regency Mines plc, see above. The company's recently announced 2010 results show that this change of strategy was well timed in that it declared a profit for the last year as well as a substantial increase in the net asset value per share to which the share price quote has responded.

**Gippsland Limited** - Sydney ASX ticker: GIP

Website: [www.gippslandltd.com.au](http://www.gippslandltd.com.au)

Western Australia-based Gippsland is now solely listed on the ASX after having withdrawn from AIM, a decision taken primarily on cost grounds, but which makes the company more dependent on raising its substantial capital requirements primarily in the Australian market.

Gippsland is a Perth-based international resource company focused on world-scale projects that have been overlooked by the major producers, but have undergone detailed exploration work, so can offer the potential of early production. Its prime assets are tantalum-tin projects in the Central Eastern desert of Egypt adjacent to the Red Sea, notably the 44.5 million tonne Abu Dabbab and the 98 million tonne Nuweibi tantalum-tin projects, in which Gippsland's 50% interest is matched by an Egyptian State partner. The Abu Dabbab project, with an annual mill-feed rate of 2 million tonnes for a production level in excess of 650,000 lbs of tantalum pentoxide, will have a likely 20 year mine-life, and its resource base will rank Gippsland as the world's largest producer of tantalum.

However, capital-raising has proven problematic for companies at all levels and with their greater needs, Gippsland is proving to be no exception. Its negotiations on the forecast project financing need of US\$173 million have taken longer than planned to complete, and are sought on an 80% debt / 20% equity basis; a 10 year off-take has already been agreed with the German HC Starck group. After unexpected delays in the negotiations, the commencement of engineering and construction work has been deferred from 2010 to early 2013. A recent placement of 80 million new shares with institutions has succeeded in raising A\$3.2 million and enabled Gippsland shares to be re-admitted to trading after a halt for clarification on financing developments.

Additionally Gippsland has undertaken exploration drilling within the Wadi Allaqi region where it has obtained highly encouraging gold results in three of its eight separate tenements, together with a copper-nickel deposit. Its Nubian Resources subsidiary has picked up three prospecting licences in the state of Eritrea for base metals and gold.

**International Mining & Infrastructure Corporation plc** - AIM ticker: IMIC

Website: [www.indiastarenergy.co.uk](http://www.indiastarenergy.co.uk) - this site remains current

International Mining & Infrastructure Corporation, formerly India Star Energy, is focused on the energy sector. It has three principal investments:

- New Fuels International Ltd, a Seychelles-based specialised development company involved in the creation of renewable bio-fuels and bio-energy products;
- Trillium North Minerals, a Toronto TVX quoted company holding interests in mining resource properties in Ontario; and
- East West Resource Corporation an exploration company focused on copper, nickel and platinum group metals also in Canada.

**Kefi Minerals plc** - AIM ticker: KEFI

Website: [www.kefi-minerals.com](http://www.kefi-minerals.com)

Kefi Minerals, a spin-off from now 24% holder EMED plc, is an established gold and copper exploration company operating in various parts of Turkey in joint venture with TSX-listed Centerra Gold, and in Saudi Arabia where it is operator with a 40% interest in the G&M joint venture with local conglomerate ARTAR; it enjoys first-mover advantage in the field of Saudi exploration in seeking to identify and develop million ounce plus gold deposits.

Kefi's projects in Turkey are Artvin and Gumushane in the northeast, Derinin Tepe and Muratdag in the west, and Bakir Tepe in the south west, all of which are 100% owned other than Artvin. Kefi also owns an extensive exploration data base, giving it a competitive advantage in identifying further prospective areas for project generation. The Artvin Project comprises fifteen contiguous exploration licences covering 253 sq. km. A gold discovery at its Yanikli Prospect has been announced.

Kefi also has a large database of Saudi Arabian mineral occurrences and historic workings, maps and surveys, so enabling it to identify, assess and target further potential major mineral deposits for further permitting. Delays in obtaining licences in Saudi Arabia can be lengthy, but Kefi and ARTAR have lodged applications for 21 exploration licences covering 2,100 sq km., seven of which are now at an advanced stage of permitting. The applications are focused on both gold and copper-gold mineralisation, all of which contain ancient workings, some have visible gold in quartz veins, and two lie only 50 km from presently operating gold mines.

**Minera IRL Limited, formerly Hidefield Gold plc** - AIM ticker: MIRL  
Website: [www.minera-irl.com](http://www.minera-irl.com)

Starvest's holding in Hidefield Gold was taken over in December 2009 by Minera as part of a £7 million all share deal. This brought into Minera the Don Nicolas project and a large exploration portfolio with a number of increasingly promising prospects in the Santa Cruz State in Patagonia, Argentina. Don Nicolas is planned to start production in 2012. Minera was already a well-established Latin American gold miner listed on AIM, Peru, and Toronto, with gold production primarily in Peru at its flagship Corihuarmi mine, with an expected life to late 2013, to be followed by new production starting at Ollachea by 2014. After the Hidefield acquisition, Minera also bought the prospective Quilavira project in Peru from ASX-listed Newcrest Mining.

With annualised gold production targeted at some 200,000 ounces of high margin gold within four years, Minera appears well set for steady growth.

**Sheba Exploration (UK) plc** – PLUS ticker: SHE  
Website: [www.shebagold.com](http://www.shebagold.com)

Sheba is a mineral exploration company exploring for gold and copper on licence concession areas covering a total of 242 sq km in northern Ethiopia. Three gold projects have been established, one of which at Shehagne is currently operated and funded by Stratex International under a joint venture arrangement whereby Stratex earn a 60% interest in the project for a £350,000 total exploration spend, with the option of a further 20% if Stratex fund all exploration and development up to the completion of the bankable feasibility report. Stratex findings at Shehagne to date suggest a potential for bulk minable mineralisation which has led them to consider reconnaissance drill-testing of the zone. Sheba also has a 30/70 joint venture arrangement with Stratex for combining their forces to explore new prospective targets and licence areas in northern Ethiopia.

Sheba's inability to raise funds from the torpid equity market has determined it to secure future funding of its activities through joint venture and option agreements with local and foreign companies as appropriate. Meanwhile, the Ethiopian mineral, gas and oil sector has been attracting strong foreign interest, with new licences being granted to Chinese State-owned entities and to various other smaller exploration companies, so Sheba appears well placed to benefit.

**Sunrise Resources plc**, formerly Sunrise Diamonds plc - AIM ticker: SRES

Website: [www.sunrisediamonds.com](http://www.sunrisediamonds.com)

Sunrise Resources has changed both its name and its objectives from being focused on diamond projects in Finland to a multi-commodity exploration company with varied projects now spreading to Canada, Ireland and Australia, the latest venture being the Long Lake Gold project in Sudbury, Canada. Sunrise's other projects include the historic Derryginach barite mine in Ireland, its original diamond assets in Finland, and an application for an exploration licence to cover diamonds, gold and PGMs in Western Australia.

Owing to weak consumer and investor demand coupled with low diamond prices, Sunrise had to put its Finnish operations on a care and maintenance basis, but can expect early restoration of activities with a potential world supply shortage of diamonds envisaged.

#### **The remainder accounting for 4% of the portfolio value**

**Alba Mineral Resources plc** - AIM ticker: ALBA

Website: [www.albamineralresources.com](http://www.albamineralresources.com)

Alba Mineral Resources is focused on uranium properties in Mauritania, nickel-copper in Scotland and gold and base metals in Ireland. The projects are in different stages of development ranging from early exploration targets to more advanced drill-ready projects.

In May 2010, additional loan finance was secured to enable the drilling of a 178m deep test hole on the company's Limerick base metal licence; the core was logged and assay results are pending. Preliminary interpretation of the core suggested base metal mineralisation potential. The company is engaged in negotiations with a third party seeking a joint venture on the Limerick property. Further exploration work this year is likely to be restricted by ongoing fund-raising difficulties, and while joint venture agreements are actively sought, an inability to fulfil work obligations under existing licences would risk their forfeiture.

**Brazilian Diamonds Limited** – Toronto TSX ticker: BZD

Website: [www.braziliandiamonds.com](http://www.braziliandiamonds.com)

Brazilian Diamonds is a development stage resource company engaged in the acquisition, exploration and development of kimberlite and alluvial diamond properties in Brazil. Its recent activities have been restricted by a need to reduce its indebtedness, and in May 2010 it agreed to sell its wholly-owned subsidiary Mineracao do Sul for an equivalent US\$640,000 including the disposal of its Canastra project assets. Junior diamond explorers in Brazil have been experiencing hard times, but the Company believes it is now in a stronger position to evaluate other more exciting alternative opportunities in Brazil.

**CAP Energy Limited** - PLUS ticker: CAPP - suspended

Website: [www.capenergy.co.uk](http://www.capenergy.co.uk)

CAP Energy seeks to invest in smaller oil and gas exploration and production company assets, particularly focused on North America. The company currently has five producing properties in Oklahoma and Texas, but has failed to raise an injection of new capital and in May requested trading in its shares to be suspended. An announcement of the Company's future intentions is awaited.

**Carpathian Resources Ltd** – Sydney ASX ticker: CPN

Website: [www.carpathian.com.au](http://www.carpathian.com.au)

Carpathian Resources is an Australian oil and gas explorer and producer focusing on projects in Central Europe, especially the Czech Republic and Slovakia. The company has three significant

projects in the Czech Republic: the Janovice gas field in Northern Moravia along with the 50%-owned (75% before pay-out) Krasna oil field, the Morava project in the northern part of the Vienna Basin, where there are well-established prolific oil and gas producers in operation, and the Roznov project area with four permits, where numerous producing oil and gas fields exist.

The company has declared that it will be able to fully fund planned exploration and development programmes.

#### **Concorde Oil & Gas plc** - PLUS quotation suspended

Concorde's focus is on exploring and developing oil and gas properties and projects in the Komi Republic of Russia. Its acquisition of Pechora Energy, and ongoing exploration and production funding for the Luzhkoye oilfield and the Chikshinskoe exploration licence has been largely met through substantial equity and loan injections by both Altima Partners and Kuwait Energy, with Kuwait Energy subsequently absorbing the former's interest. Concorde's share listing was suspended in May 2006. Its activities form a minor part of Kuwait Energy's overall operations which are primarily concerned with Middle Eastern oil exploration and production.

It is believed that Kuwait Energy have early intentions of seeking a listing for their shares, as a result of which the remaining minority shareholders of Concorde may be offered new Kuwait Energy shares in exchange for their holdings, but inevitably with further dilution of their interest. Confirmation as to how Concorde shareholders may finally extract value from their holdings is therefore awaited.

#### **Fundy Minerals Limited** - PLUS quote withdrawn

Website: [www.fundyminerals.com](http://www.fundyminerals.com)

Fundy Minerals is concentrating on its diversified mineral properties in Canada, and especially the exploitation of its high-grade limestone deposit in New Brunswick, having decided to curtail its diamond exploration venture in Liberia following enactment of unattractive fiscal conditions.

Obtaining adequate financing for its West African diversification at the same time as for the development of its Canadian interests, had proved beyond Fundy's capability, and its previous expectations of being able to raise new funds through its Plus Market listing led to it to withdraw after several unsuccessful attempts. Alternative arrangements for the marketing of its shares are to be sought with JP Jenkins. Meanwhile the Directors continue to seek an appropriate capital partner but have warned shareholders of present minimal cash balances.

#### **Lisungwe plc** - PLUS ticker: LIS

Website: [www.lisungwe.com](http://www.lisungwe.com)

Lisungwe focuses on mineral exploration in Malawi, a southern Africa country, where it has a JORC compliant nickel resource, nickel extraction techniques through leaching, but having undertaken an initial scoping study for a mine, then ran out of finance.

It had sought to acquire a local source of pyrite for the purpose of manufacturing sulphuric acid, but the inability to raise the required funds in a tough market continued. Strenuous fundraising efforts made over the past two years have failed despite its forecast profitability assured by the prevailing shortage of sulphuric acid in the region. Lisungwe's survival remains uncertain, although efforts are being made to find a suitable project and the funding with which to support it.

#### **Lotus Resources plc** - PLUS ticker: LOTP

Website: [www.lotus-resources.com](http://www.lotus-resources.com)

Lotus Resources was set up as a UK holding company to seek, identify and acquire mining and exploration assets in or close to production in Mongolia, with particular focus on building an integrated fluorspar business from the exploration stage through to mining, processing and ultimate trading. Fluorspar is used as flux in steel-making, with Russia and Ukraine seen as likely main markets, and as acid in the chemicals industry with eventual world-wide clientele potential. Lotus saw Mongolia as offering exciting possibilities for building a profitable business in a sector ready for consolidation with many small operators who lack access to finance, but the company itself met severe difficulties in raising funding for its own requirements on acceptable terms.

This led the directors to examine merger possibilities and a possible AIM listing for a new company to be formed, but this proved unattractive to investors and was shelved, with three directors resigning. The new board of directors opted for a strategic review and negotiation with the creditors and loan note holders for the elimination of most of the outstanding debt by conversion into equity in a new company to be formed, Mongolian Mineral Resources (“MMR”). The awaited re-vitalisation of the operational strategy applicable to the remaining Lotus Resources shareholders has yet to be announced.

### Companies with other interests

#### **Guild Acquisitions plc** - PLUS ticker: GACQ

Guild Acquisitions is a fledgling investment trading company established to grow early-stage small to medium-sized companies by injecting seed capital, management support, and access to further funds from capital markets for their development. However, a shortage of available funds and the ongoing financial uncertainties of the recent market have restricted opportunities for seed capital investments over recent years.

Its investments include a 7.33% interest in Equity Resources plc, see above.

#### **Marechale Capital plc**, formerly St Helen’s Capital plc - AIM ticker: MAC

Website: [www.marechalecapital.com](http://www.marechalecapital.com)

Marechale Capital is an investment banking business raising capital for both quoted and unquoted high growth companies and funds. Last year the original company was acquired by and then merged with the remainder of St Helen's Capital following the disposal of the latter's operating business and associated assets, with the name being retained for the resultant enlarged group.

**In addition to the above**, Starvest has interests in the following quoted and unquoted companies, none of which are deemed to have significant value at this present time: Addworth plc – general investment holding company; Chalkwell Investments plc, formerly The Core Business plc; Goliath Resources Inc – Pink Sheets OTC ticker – GHRI; Treslow Limited – a copper-nickel prospect near Armstrong in North West Ontario, Canada; Woburn Energy plc (formerly Black Rock Oil & Gas plc) - AIM ticker: WBN Website: [www.woburnenergy.com](http://www.woburnenergy.com).

### Profit and loss account

for the year ended 30 September 2010

	<b>Year ended</b> <b>30</b> <b>September</b> <b>2010</b> <b>£</b>	Year ended 30 September 2009 £
Operating income	<b>640,044</b>	-

Direct costs	(237,713)	-
<b>Gross profit</b>	<b>402,331</b>	-
Administrative expenses	(182,760)	(189,398)
Amounts (written off)/written back to trade investments	(257,953)	295,884
<b>Operating (loss)/profit</b>	<b>(38,382)</b>	<b>106,486</b>
Interest receivable	8,083	29,933
Interest payable	(18,063)	(91,727)
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(48,362)</b>	<b>44,692</b>
Tax on (loss)/profit on ordinary activities	9,385	(8,600)
<b>(Loss)/profit on ordinary activities after taxation</b>	<b>(38,977)</b>	<b>36,092</b>
<b>(Loss)/earnings per share – basic</b>	<b>(0.1) pence</b>	0.1 pence
<b>(Loss)/earnings per share – fully diluted</b>	<b>(0.1) pence</b>	0.1 pence

There are no recognised gains and losses in either year other than the loss for the year.

All operations are continuing.

## Balance sheet

As at 30 September 2010

	30 September 2010	30 September 2009
	£	£
<b>Current assets</b>		
Debtors	33,514	34,720
Trade investments	2,795,770	3,215,671
	<u>2,829,284</u>	<u>3,250,391</u>
<b>Creditors – amounts falling due within one year</b>	<b>(377,639)</b>	<b>(851,769)</b>
<b>Net current assets</b>	<b>2,451,645</b>	<b>2,398,622</b>
<b>Share capital and reserves</b>		
Called-up share capital	390,173	372,173
Share premium account	2,100,396	2,026,396
Profit and loss account	(38,924)	53

<b>Equity shareholders' funds</b>	<b>2,451,645</b>	2,398,622

Cash flow statement  
for the year ended 30 September 2010

	<b>Year ended 30 September 2010 £</b>	Year ended 30 September 2009 £
Net cash inflow/(outflow) from operating activities	<b>333,851</b>	(244,420)
Returns on investment and servicing of finance:		
Interest receivable	<b>8,083</b>	29,933
Interest payable	<b>(18,063)</b>	(91,727)
	<b>(9,980)</b>	(61,794)
Taxation (paid)/recovered	<b>(9,490)</b>	1,118,401
Financing:		
Issue of new shares	<b>92,000</b>	-
Loan advanced	-	100,000
Short term loan repaid	<b>(100,000)</b>	(1,000,000)
	<b>(8,000)</b>	(900,000)
<b>Increase/(decrease) in cash in the year</b>	<b>306,381</b>	(87,813)

The financial information set out above does not constitute statutory accounts as defined in the Companies Act 2006.

The balance sheet at 30 September 2010, the profit and loss account, and the cash flow statement for the year then ended have been extracted from the Company's statutory financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498 of the Companies Act 2006.

Copies of the report and financial statements will be posted to Shareholders no later than 15 November and will be available for a period of one month thereafter from the Company Secretary at the following business address: 67 Park Road, Woking, Surrey, GU22 7DH, email: [email@starvest.co.uk](mailto:email@starvest.co.uk)

Alternatively, the report may be downloaded from the Company's website, [www.starvest.co.uk](http://www.starvest.co.uk).

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- Gerry Beaney or Colin Aaronson, Grant Thornton Corporate Finance, telephone 020 7383 5100

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